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C O N F I D E N T I A L SECTION 01 OF 04 TAIPEI 003563

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SUBJECT: PRESIDENT OUTLINES FUTURE CROSS-STRAIT POLICY
DIRECTION

REF: TAIPEI 3521

Classified By: AIT Acting Director David J. Keegan, Reason: 1.4 (B/D)

11. (C) Summary: National Security Council (NSC) Secretary General Chiou I-jen provided the Acting Director on November 10 an advanced copy of a 10-point policy statement President Chen Shui-bian planned to unveil later in the day. The policy reiterates themes from Chen's May 20 and October 10 speeches, providing slightly more clarity over Taipei's position on the "1992 Hong Kong" framework and opening of direct transportation links. Chen will also call on his government to craft a set of "Sunshine Policies" to facilitate closer substantive relations with the Mainland. Chiou said the president wants to signal Beijing that dialogue could be resumed by either addressing "principle" issues first, hence the "1992 Hong Kong" formulation, or technical issues, such as direct links. Chiou acknowledged that some of Chen's recent statements aimed at domestic constituencies may have been "misinterpreted" by Beijing as deviating from the course Chen set on May 20, but he asserted that this sort of suspicion underscores the need for effective channels of communication. End Summary.

Chen's 10 Points

12. (C) NSC Secretary General Chiou I-jen asked the Acting Director for an urgent meeting on November 10 to preview a 10 point cross-strait/foreign policy plan that he predicted would be announced later in the day by President Chen Shui-bian (See para 8 for AIT's informal translation). According to Chiou, Chen wanted to demonstrate to Beijing and Washington that the conciliatory policy line he set on May 20 is not only unchanged, but is being reinforced in substantive terms. Chiou said that Taipei sees a window of opportunity after the December 11 Legislative Yuan (LY) election to restart some form of dialogue with Beijing. The November 10 address would aim to lay the policy groundwork to move forward. Chiou noted that Chen would preside over 4 hours of meetings later in the day with his foreign policy team, and if there were no serious objections, the points he provided to AIT would be read out by the president in front of television cameras. Chiou noted that he would follow-up with a press conference to provide further background on the policy initiatives.

13. (C) Chiou highlighted several elements of the address for AIT. Chiou said that in point number 3, the president would expand a bit on his "1992 Hong Kong basis" formulation first floated during Chen's October 10 National Day address. Chen would acknowledge Beijing's insistence on the "one China principle" and ask Beijing to respect the Taiwan people's loyalties to the "Republic of China." Chiou noted that in the following point, Chen would call for opening talks on direct transportation links using the "Taiwan-Hong Kong aviation talks" model referred to recently by the PRC State Council Taiwan Affairs Office (TAO). Chiou asserted that the two points were meant to give Beijing an option. If they want to address political principles first, Taiwan was willing to look back to the 1992 Hong Kong talks, which focused on bridging the political gap between the two sides. If the PRC preferred to start with less sensitive subjects, Chiou asserted that point number 4 offered Beijing the model of the 1993 Singapore talks, which established protocols for technical cooperation between the two sides.

14. (C) In addition to calling for direct transportation links, Chiou said that Chen would order that Taiwan's State-Owned Enterprises (SOEs) expand their operations beyond Taiwan's borders. Chiou said that following the president's address, the Mainland Affairs Council (MAC) and Ministry of Economic Affairs (MOEA) would be tasked with revising current restrictions on the operations of SOEs overseas, including on the Mainland (Comment: the points provided to AIT do not refer to SOE operations on the Mainland, but Chiou explicitly stated that the PRC would be part of the SOE globalization initiative. End Comment.) On the military side, Chiou said that Chen will announce that Taiwan will "absolutely not" procure weapons of mass destruction (WMDs) and call on China to openly renounce the use of WMDs against Taiwan. He acknowledged that this commitment meant that there would be no plans for an attack on Shanghai. Chiou noted that Chen

will also call for talks on the establishment of an air and sea buffer zone between the two sides, and pledge to reduce the size of Taiwan's military to 100,000 personnel.

Staying on Message

15. (C) The Acting Director responded positively to Chen's renewed commitment to the constructive steps laid out in his inaugural and 10/10 speeches, but he re-emphasized the importance of consistency in Taipei's public messages. Chiou acknowledged that President Chen's November 7 speech to the Taiwan Association of Professors (Reftel) may have caused concern in Beijing, but Chiou assured AIT that they did not represent a change in policy. Chiou said that the president informed him after the fact that Chen was careful to use the term "People's Republic of China" rather than "China," as some media outlets reported, to describe the other side. In addition, Chiou asserted that Chen did not say anything that contradicted his May 20 pledge not to address sovereignty issues in the upcoming round of constitutional reforms. The Acting Director countered that the tone of the speech left considerable room for interpretation and could encourage skeptics in Beijing to question Chen's sincerity. Chiou accepted that this may be the case, but added that if Taiwan could communicate with Beijing like it does with the United States, such "misinterpretations" could be avoided.

16. (C) Later in the day, NSC Senior Advisor for cross-Strait affairs Chen Chung-hsin informed AIT that the 10 points had been accepted at the afternoon foreign policy meeting with only one or two small word changes. Chen noted that Vice President Annette Lu urged that the point dealing with the "1992 Hong Kong" framework be removed, ostensibly because domestic reaction to president's October 10 reference to the formula was not positive enough. Chen said that the president rejected Lu's demand, stating that the "1992 Hong Kong" framework was integral to the government's efforts to find a way forward. However, the president did agree to Lu's demand to add "or develop" to the call for the PRC not to use nuclear weapons. Chen asserted that he and others argued against the change, noting that it would make Taiwan look naive, but the president agreed to include the change "in order to shut her (Lu) up." According to Chen, a pool camera filmed the president reading out the statement at about 6:00 pm local time. He expected the tape to be broadcast later in the evening. Chen added that he had alerted his cross-Strait media and academic contacts to pay special attention to the initiative.

Comment: Getting Back on Track

17. (C) As promised (Reftel), Chen's moderate NSC advisors have redirected the president back to the conciliatory May 20 line. Chen's points should lay down a helpful marker on a number of issues, even if some of the military confidence building measures (CBMs) initiatives are seen as overly optimistic. The larger problem remains consistency. While Chiou offered assurances that the president has no intention on changing the substance of his May 20 policy line, he admitted that pressures from Chen's fundamentalist base will constrain the president's room to maneuver on the question of Taiwan's sovereignty. Chen's plan to hit the campaign trail starting November 12 may test his ability to stay on message.

18. (C) (Begin informal AIT translation of the president's draft policy statement)

1) The maintenance of stability in the Taiwan Strait and the status quo of peace continues to be a matter of great concern to the international community and an area where the United States plays an important role. Taiwan and the United States both have long enjoyed common values of freedom, democracy, and human rights. Over the past half century, Taiwan's democratic and economic development has become an asset to be enjoyed by the international community. It is certainly not a liability. We thank the United States for its continued commitment to the "Taiwan Relations Act" and the "Six Assurances." In the future, the two sides should continue to cooperate to maintain peace and stability in the Asia Pacific region on the basis of a common alliance of values.

2) We believe the coming two years should be viewed as a unique opportunity to restart dialogue across the Taiwan Strait in the common pursuit of long-term peace and stability. The two sides' governments and leaders should wisely use this "window of opportunity" to create a basis for peace and happiness. While there are many factors that contribute to the other side's inability to respond to our goodwill and sincerity, our determination and patience will not change. We would like to once again reiterate that the cross-Strait policy direction set out in the president's May 20 Inaugural Address and this year's National Day Address will not change in any way during the (the president's) term of office. On the basis of the "Two No Changes," government

agencies should actively explore reopening dialogue, reducing tensions, and cooperatively developing "Sunshine Policies" to promote cross-Strait cooperation.

3) We fully acknowledge (renzhidao) the Beijing authority's insistence on the "one China" principle. At the same time, we urge the other side to positively view the reality of the "Republic of China's" existence and the democratic determination of Taiwan's 23 million people to be their own masters. If the two sides can extend mutual understanding and tolerance, we can use peaceful dialogue to rationally discuss how to resolve our differences and eliminate confrontation. The "1992 Hong Kong talks" embodied exactly this spirit.

4) On the basis of the "1992 Hong Kong talks," the government is actively pursuing cross-Strait economic and cultural exchanges, including the Three Links. At this stage, we can use the Taiwan-Hong Kong Aviation Talks model to immediately open consultations on direct two-way air cargo and Chinese New Year's charter flights.

5) In order to fulfill the economic strategy of "promote development in Taiwan, reach out to the world," the government should take a cue from the private sector and encourage major State-Owned Enterprises (SOEs) to expand their international operations and investment. They should also actively encourage foreign capital and labor talent to come to Taiwan in order to accelerate the globalization of our industrial base.

6) The Ministry of National Defense has already completed a plan to reduce the term of compulsory military service to 18 months starting July 1 next year with a target of cutting our military forces to 100,000 by the year 2008. This effort will help ease cross-Strait military tensions, create a lean, more effective military force, and enhance our self-defense capabilities.

7) For humanitarian reasons and in view of international norms, we believe that the use of nuclear, chemical, and biological weapons should be banned in the Taiwan Strait. We are willing to publicly pledge that we will absolutely not develop these sorts of weapons of mass destruction and strongly urge China to publicly announce that it will not or develop or use weapons of mass destruction against Taiwan.

8) In order to avoid miscalculations or unintended military clashes, we recommend that the two sides consider establishing a military buffer zone. Aircraft and ships should avoid entering this zone, or if they do need to enter it, they should first notify the other side.

9) We recommend that the two sides of the Taiwan Strait consider the approach used in the 1972 U.S.-Soviet "Maritime Incident Agreement" and the 1998 U.S.-China "Maritime Cooperation Agreement" to create a Taiwan Strait military and security consultative mechanism that can promote the eventual creation of a "Taiwan Strait Code of Conduct." This effort would be similar to the international demilitarized zone created between South and North Korea and the communication mechanism between India and Pakistan.

10) Security in the Taiwan Strait is more important than the interests of individual political parties or personalities. The development of peace across the Taiwan Strait is the common hope of all people. We can only develop cross-Strait relations if Taiwan is united internally and stable politically. After the year-end legislative election, we will invite representatives from various political parties and social groups to join the "Cross-Strait Peace and Development Committee." We do not rule out inviting the leaders of the opposition parties to serve as members. Our hope is to develop a consensus among all political parties and the public behind a long-term "Cross-Strait Peace and Development Platform" that will serve to actively promote cross-Strait peace and stability, and create a sustainable and prosperous new cross-Strait relationship.

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